SUPREME COURT, U. S.
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IN THE

Supreme Court of the United States

OCTOBER TERM, 1967

No. 390

RUTH M. MASS,

Petitioner,

v.

EDWARD J. BRENNER,
Commissioner of Patents,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

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JURISDICTION

The judgment of the Court of Appeals sought to be reviewed was dated and entered April 17, 1967. Jurisdiction is conferred in this Court to review that judgment by 28 U.S.C. Sec. 1254 (1).

QUESTIONS PRESENTED FOR REVIEW

1. Does an implied contract arise, between the Government and an applicant for a patent, at the time the appli-

cant pays his filing fee, that the issue fee will be no more than that which was in effect when the filing fee was paid?

2. Should Public Law 89-83, which raises the issue fees payable in patent applications, be construed to exclude applications filed before its effective date but allowed after its effective date?

3. Is it unlawful for the Commissioner of Patents arbitrarily to designate which pending applications will be subject to the increased issued fee, and which will not, by allowing some of them before the effective date of the increased fee, and others after the effective date?

4. Should it not be the act of the applicant, rather than that of the Commissioner of Patents, which determines whether a patent application is to be subject to an increased statutory fee?

5. Is there a Fifth Amendment deprivation of property without due process of law, when an issue fee is charged which is higher than that which was in effect at the time the filing fee was paid?

CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED

In October, 1964, when petitioner filed her patent application, 35 U.S.C. 41 (66 Stat. 796) read in pertinent part as follows:

> "(a) The Commissioner shall charge the following fees: * * * 1. On filing each application for an original patent, except in design cases, $30, ...
>
> "2. On issuing each original patent, except in design cases, $30, ..."

35 U.S.C. 131 (66 Stat. 801) states as follows:

> "The Commissioner shall cause an examination to be made of the application and the alleged new invention; and if on such examination it appears that the applicant is entitled to a patent under the law, the Commissioner shall issue a patent therefor."

Public Law 89-83, which became effective October 25, 1965, changes the provisions of 35 U.S.C. 41 to read in part as follows:

* * *

"2. For issuing each original or reissue patent, except in design cases, $100; in addition, $10 for each page (or portion thereof) of specification as printed, and $2 for each sheet of drawing.

Sec. 7(a) of said Public Law 89-83 reads as follows:

"(a) This Act shall take effect three months after its enactment."

Sec. 7(c) of said Public Law 89-83 reads as follows:

"(c) Item 2 of section 41(a), as amended by section 1 of this Act, and section 4 of this Act [amending 35 U.S.C. 151] do not apply in cases in which the notice of allowance of the application was sent, or in which a patent issued, prior to the effective date; and in such cases, the fee due is the fee specified in this title prior to the effective date of this Act."

The Fifth Amendment to the Constitution of the United States reads in pertinent part:

"* * * Nor shall any person be * * * deprived of * * * property, without due process of law; * * *"

STATEMENT OF THE CASE

In October, 1964, petitioner filed in the United States Patent Office a patent application and paid the appropriate filing fee of $30.

Referring to the duty of the Commissioner of Patents upon the filing of a patent application, 35 U.S.C. 131 (66 Stat. 801) states the following:

"The Commissioner shall cause an examination to be made of the application and the alleged new invention; and if on such examination it appears that the applicant is entitled to a patent under the law, the Commissioner shall issue a patent therefor."

At the time petitioner's patent application was filed, 35 U.S.C. 41 (66 Stat. 796) stated that the issue fee in such a case would be $30. However, in October, 1965, Public Law 89-83, which is the Act of July 24, 1965 (79 Stat. 259), became effective, and changed the provision of 35 U.S.C. 41 so that if Public Law 89-83 were applied to petitioner's case, the issue fee would be $122.

Petitioner's application passed examination, and the statutory condition quoted above was thus satisfied; but it was not until November, 1965 that a Notice of Allowance and Issue Fee Due was sent out that stated that the application had been examined and found allowable for issuance of Letters Patent. The Notice stated that the issue fee due would be $122.

In other words, at the time she filed a patent application, the statutory issue fee was $30; but between that time and the time the issue fee fell due, the issue fee had been raised to $122 if Public Law 89-83 were applied to her case.

Petitioner tendered an issue fee of $30, claiming the benefit of the earlier statute, but the tender was refused.

The United Saates District Court for the District of Columbia had jurisdiction of petitioner's "Complaint for Acceptance of Patent Issue Fee", under 5 U.S.C. 1009, 28 U.S.C. 1361, 28 U.S.C. 1338(a), and 28 U.S.C. 1391(e).

REASONS FOR ISSUING THE WRIT

1. A total of $14,000,000 hinges on the decision in this case. The present case is obviously a test case. There are about 140,000 patent applications in exactly the same situation: filed before the effective date of the Act but allowed after the effective date. See the letter from the General Counsel of the Department of Commerce to Hon. Emmanuel Celler, printed in the appendix to this petition, relating to five bills which were introduced into the Congress to achieve the same result as the present case.

For a question of this importance, affecting so many cases and involving $14,000,000, the attention of the Supreme Court is clearly in order.

2. When petitioner paid her filing fee, there arose between her and the Government an *implied contract* that the issue fee would be no more than the statutory issue fee in effect at the time she filed. As this contract arose before the effective date of the new statute that raised the issue fee, the new statute would improperly be given a retrospective operation if construed to interfere with the preexisting contract.

3. The portion of the new statute that raised the issue fee would be unconstitutional, on the ground of Fifth Amendment due process, if applied to the present case. The implied contract referred to above is binding on the Government and is property owned by petitioner. Application of the statute to the present case to deprive petitioner of that property without due process of law.

This Court has repeatedly held that the United States cannot by legislation repudiate its contracts. Sinking-Fund Cases, 99 U.S. 700, 719 (1878); Perry v. United States, 294 U.S. 330, 351, 352 (1936). This is because the rights arising out of contracts with the United States are protected by the Fifth Amendment. Lynch v United States, 292 U.S. 571, 579 (1934).

4. An applicant for patent is helpless to pre-determine the date on which Notice of Allowance will be sent out. The Commissioner of Patents has power to send out the Notice of Allowance *at any time*. If he finds the applicant to be entitled to a patent, he is bound to sent out Notice of Allowance, *but he is not bound to send it out within any given period of time*. The timing of the Notice of Allowance is under the exclusive control of the Commissioner. However, the present case turns entirely on the date of the Notice of Allowance. Therefore, if increased issue fees are to be permitted in cases such as the present, then it is entirely within the power of the Commissioner to require any one of the 140,000 applicants who are concerned with this

question to pay the higher or the lower issue fee, depending only on when he chooses to send out Notice of Allowance.

In short, to let the Commissioner prevail would be to give him sole and arbitrary control over the assessment of an additional $14,000,000 in issue fees, dependent only on his acts alone. Instead, however, the incurral of fees should be at the option of the applicant, not the Commissioner. Applicants are entitled to know the issue fee *before* they file an application, not after.

5. The constitutional question can be avoided by statutory construction: the new statute does not expressly require the higher issue fee to be charged in applications pending on its effective date.

CONCLUSION

Wherefore, petitioner prays that certiorari be issued to review the judgment below.

Respectfully submitted,

ROBERT J. PATCH
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Washington, D. C. 20005
Attorney for Petitioner

[Filed April 17, 1967]

UNITED STATES COURT OF APPEALS
For the District of Columbia Circuit

No. 20,698

Ruth M. Mass,
Appellant,

v.

Edward J. Brenner,
Commissioner of Patents,
Appellee.

September Term, 1966
District Court Civil Action No. 893-66

Appeal from the United States District Court for the District of Columbia.

Before: Bastian, Senior Circuit Judge, and Tamm and Leventhal, Circuit Judges.

JUDGMENT

This cause came on to be heard on the record on appeal from the United States District Court for the District of Columbia, and was argued by counsel.

On consideration whereof It is ordered and adjudged by this Court that the judgment of the District Court appealed from in this case be, and it is hereby, affirmed.

Per Curiam

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE
WASHINGTON, D.C. 20230

H.R. 11453-Ellsworth
11458-Willis
11477-Horton
11598-Hungate
11692-Railsback

also
H.R. 12216-Dowdy
H.R. 12230-Latta
H.R. 13152-Poff

May 10, 1966

Honorable Emanuel Celler
Chairman, Committee on Judiciary
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

This is in reply to your request for the views of the Department of Commerce with respect to bills identified as H.R. 11453, H.R. 11458, H.R. 11477, H.R. 11598, and H.R. 11692,

> "To provide that the fee increases prescribed by Public Law 89-83 shall not be effective in any case wherein the application was filed prior to the effective date of that Act."

The purpose of these bills is that described in the title, to postpone the application of the increased fee payable on the issue of a patent to those applications for a patent which are received by the Patent Office on or after October 25, 1965, the effective date of Public Law 89-83. That Public Law increased the issue fee from $30 to $100 and imposed the additional fee of $10 for each page of specification as printed and $2 for each sheet of drawing. According to the terms of Public Law 89-83, this increased issue fee is to apply in those instances when the notice of allowance is sent out by the Patent Office on or after October 25, 1965, with-

out regard to the time the application for the patent was received by the Patent Office.

The Department of Commerce is opposed to the enactment of legislation for the above described purpose of these bills.

Application of an increased issue fee to pending cases is not a new procedure. The Congress adopted the same technique in its enactment of the last significant increase in this fee in 1932 (47 Stat. 410). Alternative proposals pending before the Subcommittee on Patents, Trademarks, and Copyrights of the Committee on Judiciary of the United States Senate at the time of consideration of the bill for this purpose passed by the House (H.R. 8190) in 1964, and in 1965 (S. 729, S. 730, and S. 1228) all contained provisions parallel to that found in Public Law 89-83 applying the increased issue fee to pending applications issued on or after the effective date of the Act which would have increased the issue fee. No statements adverse to these provisions have been found in the hearings on these measures.

The reports of the respective Judiciary Committees (H.R. Report No. 113; S. Report No. 301, 89th Congress, 1st Session) on H.R. 4185 which became Public Law 89-83 make clear the purpose of the measure—to recover approximately three-fourths of the costs of the Patent Office. Although historically (through 1941) that Office had recovered through fees substantially all of its costs, the three-fourths recovery was "designed to restore a rational relationship between Patent Office fees and the cost of administering the American Patent Office" (see H.R. Report No. 113, at page 1). Under the fees then prevailing, the recovery was only about 30 per cent of such costs. We see no reason to postpone for two years the accomplishment of the goals of Public Law 89-83.

The postponement of the application of the issue fee proposed by these bills would have a significant effect on the amount recovered. The issue fee in effect prior to the effective date of Public Law 89-83 was $30. The estimated

issue fee now provided for is $140 on the average. It will vary with the size of the issued patent.

On June 30, 1965, there were pending 206,922 applications for patent. Over 102,000 applications were finally disposed of in fiscal 1965, of which 68 percent were allowed.

Assuming a difference of $100 in an issue fee between the new and the old charge, the Office would be faced under the proposals with a loss in revenue of $14 million over the next two years it would take to process the pending applications. The estimated annual income under Public Law 89-83 is approximately $25 million and the proposals would reduce this by $7 million for the first full year of operation and similarly for the second.

For these reasons, the Department of Commerce urges That the provisions of Public Law 89-83 relating to the application of the increased issue fee remain unchanged and that these proposals to postpone the effective date of the issue fee not be enacted.

We have been advised by the Bureau of the Budget that there would be no objection to the submission of this report from the standpoint of the Adminsitration's program.

Sincerely,

General Counsel

In the Supreme Court of the United States

OCTOBER TERM, 1967

No. 390

RUTH M. MASS, PETITIONER

v.

EDWARD J. BRENNER, COMMISSIONER OF PATENTS

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

MEMORANDUM FOR THE RESPONDENT IN OPPOSITION

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1. Petitioner filed an application for a patent with the United States Patent Office in October 1964 (Pet. 3). At the time, 35 U.S.C. 41(a) fixed $30 as the basic fee for issuance of an original patent. While petitioner's application was pending in the Patent Office, Congress increased this and other Patent Office fees. Act of July 24, 1965, Public Law 89-83, 79 Stat. 259, effective October 25, 1965. In November 1965, the Patent Office issued a "Notice of Allowance

and Issue Fee Due," which stated that petitioner's application had been allowed and that the fee payable for the issuance of a patent (computed under the 1965 Act) was $122 (Pet. 4). After petitioner's tender of $30 was refused by the Patent Office, she brought this action to compel the Commissioner of Patents to accept a fee of $30, contending (1) that the 1965 Act should be construed to exempt patent applications filed prior to its effective date and (2) that by filing a patent application and paying the filing fee petitioner entered into an "implied contract" with the government that if the application was allowed the fee would be $30 (Pet. 4-6). The district court granted the Commissioner's motion for summary judgment and dismissed the complaint. The court of appeals affirmed without opinion (Pet. 7).

2. Section 1 of the 1965 Act (Public Law 89-83) amended Item 2 of 35 U.S.C. 41(a) to (among other things) increase the basic fee for the issuance of an original patent from $30 to $100. Section 7(a) of the Act provided that "[t]his Act shall take effect three months after its enactment"—October 25, 1965. Section 7 provided a number of specific exemptions with respect to the effective date of the statute. In particular, Section 7(c) provided that "Item 2 of section 41(a), as amended by section 1 of this Act [*i.e.*, the increased patent-issue fee] * * * [does] not apply in cases in which the notice of allowance of the application was sent * * * prior to the effective date; and, in such cases, the fee due is the fee specified in this title prior to the effective date of this Act." Since petitioner's notice of allowance was sent in No-

vember 1965, subsequent to the effective date of the statute, the Patent Office was plainly correct in concluding that—under the precise and unambiguous language of the statute—petitioner was required to pay the higher fee specified by the 1965 amendment.[1]

Petitioner's contention that an exemption should be read into Public Law 89-83 for applications pending prior to the effective date of the statute is also contrary to the legislative purpose of the enactment. Because of increased operating costs since the last revision of Patent Office fees in 1932, the ratio of Patent Office fee income to operating costs had declined from 90 percent in 1932 to an estimated 28.3 percent in 1965. S. Rep. No. 301, 89th Cong., 1st Sess., p. 2 (1965). By the enactment of Public Law 89-83, Congress sought to recover through fees approximately 75 percent of the Patent Office operating costs, and thus "to restore a rational relationship between Patent Office fees and the cost of administering the American Patent Office." H. Rep. No. 113,

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[1] Shortly after the enactment of Public Law 89-83, several bills were introduced in Congress providing that the 1965 fee increases "shall not be effective in any case wherein the application was filed prior to the effective date of that Act." H.R. 11453, 11458, 11477, 11598, 11692, 89th Cong., 1st Sess. (1965); H.R. 12216, 12230, 13152, 89th Cong., 2d Sess. (1966). None of the bills was reported out of the Committee on the Judiciary. See, also, S. Rep. No. 301, 89th Cong., 1st Sess., p. 6 (1965), and H. Rep. No. 113, 89th Cong., 1st Sess., p. 11 (1965), where the Senate and House Committees on the Judiciary stated that the patent-issue fee increase of Public Law 89-83 applies "to cases in which the notice of allowance was sent after the effective date of the act."

89th Cong., 1st Sess., p. 1 (1965). Acceptance of petitioner's contention would delay for two years the full implementation of one of the major 1965 fee increases and thus significantly thwart the legislative purpose (see Pet. 8-10).

3. There is no merit to petitioner's additional contention that, by filing a patent application and paying the filing fee, petitioner entered into an "implied contract" with the government that if the application was allowed the patent-issue fee would be $30. When petitioner filed her application and paid the filing fee, 35 U.S.C. 131 entitled her to an examination and, if the statutory requirements were fulfilled, to the issuance of a patent; and 35 U.S.C. 151 provided that, if petitioner received a notice of allowance, she would be entitled to the issuance of a patent upon payment of "the final fee." No provision of the Patent Act implied that the issue fee could not be altered by Congress.[2]

The existence of such an "implied contract" is conclusively negatived by the history of Patent Office fee legislation. From 1955 through 1965 Congress held public hearings on a number of bills designed to increase patent-issue and other Patent Office fees. See

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[2] See, also, *McClurg* v. *Kingsland*, 1 How. 202, 206:

> * * * The powers of Congress to legislate upon the subject of patents is plenary by the terms of the Constitution, and as there are no restraints on its exercise, there can be no limitation of their right to modify them at their pleasure, so that they do not take away the rights of property in existing patents.

H. Rep. No. 113, 89th Cong., 1st Sess., pp. 2-4 (1965). None of the bills exempted patent applications pending at the time of the effective date of the legislation. Nor was such an exemption provided in the 1932 Act (47 Stat. 410, Section 308) or in previous statutes increasing patent-issue and other Patent Office fees. *E.g.*, Act of February 14, 1927, 44 Stat. 1098, Sections 2 and 3; Act of April 11, 1930, 46 Stat. 155, Sections 3 and 7. In the light of this history, it is obvious that Congress did not intend to create the "implied contract" alleged by petitioner and that petitioner was on notice when she filed her application that the patent-issue fee might be raised. Moreover, as noted above (*supra*, pp. 3-4), it is clear that in the light of actual present costs the increased patent-issue fee in the 1965 Act is a fair charge for the services rendered to petitioner.[3]

4. Since petitioner's contentions concern only those applications filed with the Patent Office before October 25, 1965, the issues raised by the petition are necessarily of very limited significance. Further review is not warranted.

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[3] Petitioner's argument has additional infirmities. An "implied contract" theory creates liability in the United States only if (1) the action is against the United States, rather than, as here, against the respondent Commissioner, and (2) the implied contract is "one implied in fact and not one based merely on equitable considerations and implied in law." *United States* v. *Minnesota Investment Co.*, 271 U.S. 212, 217; *United States* v. *Algoma Lumber Co.*, 305 U.S. 415, 418-419, 423-424. Neither condition is met here.

For the foregoing reasons, the petition for a writ of certiorari should be denied.

Respectfully submitted.

THURGOOD MARSHALL,
Solicitor General.

AUGUST 1967.

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